III. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE

1. INTRODUCTION

This Prospectus is dated 19 January 2004.

A copy of this Prospectus has been registered by the SC. A copy of this Prospectus, together with the Application Form has also been lodged with the Registrar of Companies ("ROC"), and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the MSEB has prescribed SKRB Shares as a Prescribed Security. In consequence thereof, the Issue/Offer Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Act and the Rules of MCD.

An application will be made to the MSEB within 3 market days from the date of this Prospectus for admission to the Official List of the Second Board of MSEB and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of SKRB, including the Issue Shares and Offer Shares which are the subject of this Prospectus, on the Second Board of MSEB. These ordinary shares will be admitted to the Official List of the Second Board of MSEB and official quotation will commence after receipt of confirmation from MCD that all CDS account of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of the applications will be conditional upon permission being granted by the MSEB for the listing of and quotation for the entire enlarged issued and fully paid-up ordinary shares of SKRB on the Second Board of MSEB. Accordingly, monies paid in respect of any accepted applications will be returned without interest if the said permission for listing is not granted within 6 weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the MSEB within the aforesaid timeframe.

Pursuant to the listing requirements of the MSEB, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Second Board of MSEB. In the event thereof, monies paid in respect of all applications will be returned if the said permission is not granted.

In the case of an application by way of Application Form, the applicant shall furnish his/her CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the SKRB Shares. In the case of an application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares or Offer Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and/or the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by SKRB and/or the Offerors. Neither the delivery of this Prospectus nor any Public Issue and/or the Offer for Sale made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of SKRB or the Group since the date hereof.

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to apply for any Issue/Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of the Issue Shares and/or Offer Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.

2. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE

The Public Issue and Offer for Sale are subject to the terms and conditions of this Prospectus and, upon acceptance of applications, the Issue/Offer Shares will be allotted in the following manner:

(i) Public Issue

(a) 6,000,000 of the Issue Shares are available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and

(b) 6,680,000 of the Issue Shares are reserved for private placement to identified investors;

(ii) Offer for Sale

(a) 7,282,000 of the Offer Shares have been reserved for Bumiputera investors approved by the MITI; and

(b) 4,500,000 of the Offer Shares have been reserved for eligible Directors and employees, and the customers and suppliers of the SKRB Group.

The Offer Shares in respect of paragraph (ii)(b) above are allocated based on the following criteria:

(i) the 4 eligible Directors are allocated the Offer Shares based on their seniority, position, length of service and contribution to the growth of the SKRB Group as follows:

Position	Name	No. of SKRB Shares
Executive Chairman	Quek Gim Hong @ Keh Gim Hong	210,000
Managing Director	Koh Kun Chuan	371,000
Executive Director	Quek Wee Seng	215,000
Executive Director	Wa Ang Ka @ Kua Ang Ka	204,000

(ii) the position and the number of years of service of the eligible employees who are confirmed employees of the Group as at 9 January 2004; and

(iii) the value of the transactions per annum with the customers and suppliers of the SKRB Group.

All the Issue/Offer Shares in paragraphs (i)(a) and (ii)(b) above are fully underwritten at an underwriting commission and a managing underwriting commission of 2.00% and 0.50% of the issue/offer price of RM0.90 per Issue/Offer Share respectively.

Any Issue Shares in respect of paragraph (ii)(b) above not subscribed for by the eligible Directors and employees, and the customers and suppliers of the SKRB Group will be reallocated to the other eligible Directors and employees, and the customers and suppliers of the SKRB Group in a fair and equitable manner. The Issue Shares in respect of paragraph (ii)(b) above not taken up after the said reallocation, if any, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

3. SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE/OFFER SHARES

	RM
Authorised	
400,000,000 ordinary shares of RM0.50 each	200,000,000
Issued and fully paid-up as at the date of this Prospectus	
77,320,000 ordinary shares of RM0.50 each	38,660,000
To be issued pursuant to the Public Issue	
12,680,000 new ordinary shares of RM0.50 each	6,340,000
	45,000,000
To be offered pursuant to the Offer for Sale	
11,782,000 ordinary shares of RM0.50 each	5,891,000

The Issue/Offer Price of RM0.90 per Issue/Offer Share is payable in full on application.

There is only one class of shares in the Company, being ordinary shares of RM0.50 each. The Issue/ Offer Shares shall rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

At any general meeting of the Company, each member shall be entitled to vote in person or by proxy or by representative or by attorney and, on a show of hands, every person present who is a member or proxy or representative or attorney shall have one vote and on a poll, every member present in person or by proxy or representative or attorney shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the members of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

4. OPENING AND CLOSING OF APPLICATIONS

Applications will be accepted from 10.00 a.m. on 19 January 2004 and will close at 5.00 p.m. on 29 January 2004 or for such further period or periods as the Directors of the Company in their absolute discretion may decide. Should the closing date of the application be extended, the notice of extension of the closing date will be published in a Bahasa Malaysia and English newspaper which is widely circulated throughout Malaysia. The indicative timing of events leading up to the listing is set out below:

Event	
Opening of Applications	19 January 2004
Closing of Applications	29 January 2004
Tentative date for balloting	4 February 2004
Tentative date for dispatch of notices of allotment to successful applicants	11 February 2004
Tentative date for Listing	12 February 2004

5. PURPOSES OF THE PUBLIC ISSUE AND OFFER FOR SALE

The purposes of the Public Issue and Offer for Sale are as follows:

(i) To provide an opportunity for the Malaysian public and eligible Directors, employees, customers and suppliers of the SKRB Group to participate in the continuing growth of the SKRB Group;

(ii) To enable SKRB to gain access to the capital market to tap external sources of borrowings and equity funds for the future expansion and continued growth of the SKRB Group; and

(iii) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of SKRB on the Second Board of MSEB.

6. BASIS OF ARRIVING AT THE ISSUE/OFFER PRICE

The Issue/Offer Price of RM0.90 per Issue/Offer Share was determined and agreed upon by the Company and CIMB, as Adviser, Managing Underwriter and Placement Agent after taking into consideration the following factors:

(i) the Group's operating and financial history and conditions;

(ii) the prospects of the industry and of the SKRB Group as outlined in Sections V(5) and V(8) of this Prospectus;

(iii) the prevailing market conditions;

(iv) the estimate and forecast net PE Multiples of 4.7 times and 6.9 times, respectively based on the weighted average number of SKRB Shares in issue of 3,814,877 SKRB Shares for the financial year ended 31 December 2003 and the enlarged issued and paid-up share capital of SKRB of 90,000,000 SKRB Shares for the financial year ending 31 December 2004;

(v) the proforma consolidated NTA per share of RM0.57 as at 31 August 2003; and

(vi) the forecast net dividend yield of 2.0% for the financial year ending 31 December 2004.

Investors should also note that market price of the Issue/Offer Shares upon listing on the MSEB are subject to the vagaries of market forces and other uncertainties which may affect the price of these shares.

7. PROCEEDS FROM THE RIGHTS ISSUE AND PUBLIC ISSUE AND THE UTILISATION THEREOF

The total gross proceeds from the Rights Issue and Public Issue of RM27.635 million are expected to be fully utilised for the core business of the SKRB Group by the end of 2004 as follows:

	Note	RM 000
Investment into lamination line	(i)	5,000
Repayment of borrowings	(ii)	9,795
Working capital	(iii)	10,940
Estimated listing expenses	(iv)	1,900
		27,635

Notes:

(i) The Group intends to utilise RM5.000 million of the proceeds raised to set-up a new lamination line. The new lamination line would enable VPM to produce laminated boards for SKFI and SK, of which approximately 70% is currently being sourced from third parties. The Directors of SKRB also expects the new lamination line to result in cost savings of approximately RM650,000 to RM1,000,000 per annum as laminated boards will be produced in-house instead of being sourced from third parties.

With the investment into the lamination line, SKFI would be able to secure a consistent supply of laminated boards from VPM. VPM would also be able to increase its production capacity by more than 40% as well as sell laminated boards to third parties.

III. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE *(CONT'D)*

(ii) *SKRB proposes to utilise RM9.795 million of the proceeds from the Rights Issue and Public Issue to repay the existing borrowings of its subsidiaries, the details of which are as follows:*

Name of lenders	*Type of facilities*	**Terms of repayment*	*Estimated amount outstanding as at 29 February 2004 RM 000*	*Amount proposed to be repaid RM 000*	*Purpose*
HSBC Bank Malaysia Berhad	*Loan*	*RM14,380 monthly instalment*	*139*	*139*	*To finance construction of factory cum office building of SK*
Bumiputra-Commerce Bank Berhad ("BCBB")	*Term Loan I*	*120 monthly instalment*	*1,343*	*1,343*	*To finance construction of factory cum office building of SKFI*
BCBB	*Term Loan II*	*60 monthly instalment*	*1,093*	*1,093*	*To finance construction of factory of SKFI*
Malayan Banking Berhad ("MBB")	*Term Loan I*	*60 monthly instalment*	*2,385*	*2,285*	*To finance acquisition of land and building*
MBB	*Term Loan II*	*60 monthly instalment*	*569*	*469*	*To finance acquisition of plant and machinery*
MBB	*Term Loan III*	*60 monthly instalment*	*4,484*	*4,466*	*To refinance the loan from Public Bank Berhad obtained for the refinancing of the construction of factory, kiln drying chamber and office building of VPM and working capital*
			10,013	*9,795*	

Note:

* *Per bank facility letter*

The Company intends to repay the above borrowings using the proceeds from the Rights Issue and Public Issue upon completion of the Listing, which is expected to be completed by the first quarter of 2004. The net interest savings for the financial year ending 31 December 2004 as a result of repayment of the said borrowings is expected to be RM0.3 million.

The estimated balance outstanding of the aforesaid borrowings up to the completion date of the Listing will be subsequently reduced as some of the repayment of the borrowings will be made progressively. Should there be any excess/variation from/to the proposed repayment of the aforesaid borrowings, the excess/variation will be utilised for working capital of the SKRB Group.

(iii) *An allocated sum of RM10.940 million will be utilised for working capital of the SKRB Group. The SKRB Group is principally involved in the manufacturing and trading of wooden and metal furniture and parts and the processing of rubberwood and related products. In line with the Group's expansion and the commissioning of its lamination line in end-June 2004, the SKRB Group anticipates that a high level of working capital will be required for the operations as well as the payment of trade purchases and administrative expenses.*

(iv) *The estimated listing expenses, including brokerage and commission relating to the Issue Shares, incidental to the Listing amounting to approximately RM1.9 million will be borne by the Company and is expected to be paid within 3 months from the date of Listing.*

Out of the RM1.9 million estimated listing expenses, approximately RM610,000 is provided for fees for professional services rendered by advisers.

8. BROKERAGE AND UNDERWRITING COMMISSION

Brokerage is payable by the Company and Offerors at the rate of 1% of the Issue/Offer Price of RM0.90 per Issue/Offer Share in respect of successful applications which bear the stamps of CIMB, participating organisations of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

The Managing Underwriter and the Underwriters as mentioned in the Corporate Directory of this Prospectus have agreed to underwrite the 6,000,000 Issue Shares and 4,500,000 Offer Shares which are available for application by the Malaysian public and the eligible Directors, employees, customers and suppliers of the SKRB Group. The underwriting commission and managing underwriting commission is payable by the Company at the rate of 2.00% and 0.50% of the Issue/Offer Price of RM0.90 per Issue/Offer Share respectively.

9. DETAILS OF UNDERWRITING AGREEMENT

An underwriting agreement was entered into between the Company, CIMB and K & N Kenanga Berhad on 9 January 2004 ("Underwriting Agreement" or "Agreement") to underwrite the 6,000,000 Issue Shares and 4,500,000 Offer Shares which are made available for application by the Malaysian public and the eligible Directors, employees, customers and suppliers of the SKRB Group ("Underwritten Shares"). Some of the salient terms of the Underwriting Agreement are as follows:

Pursuant to Clause 6.1 of the Underwriting Agreement, the obligations of the Underwriters to underwrite the Underwritten Shares under the Agreement are conditional on the performance by the Company of its obligations under the Agreement and on (among others):

(i) the Managing Underwriter being provided with such reports or confirmations and being satisfied at the closing date that:

   (a) material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of the Group taken as a whole from that subsequent to the date of the Agreement; or

   (b) there has not occurred any event or the discovery of any facts or circumstances which would render any representation, warranty or undertaking in Clause 11 (Representations Warranties and Undertakings) materially untrue or inaccurate or result in a material breach of the Agreement by the Company;

(ii) the Managing Underwriter receiving a certificate in the form or substantially in the form contained in Schedule 3 (Certificate) of the Agreement dated the closing date signed by the duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 11 (Representations, Warranties and Undertakings) of the Agreement;

(iii) the issue of the Prospectus is not later than 1 month from the agreement date or such later date as the Managing Underwriter and the Company may from time to time agree;

(iv) The closing date to be a date not more than 1 month from the date of the Prospectus;

(v) the registration of the Prospectus with SC and its lodgement with the Registrar of Companies by the issue date;

(vi) all the approvals of the SC, the FIC and the MITI referred to in Clause 2.2 (Approvals) remain in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the Offer for Sale and Public Issue have been completed) have been complied with;

(vii) the approval-in-principle of MSEB for the admission of the Company to the Official List and the listing of and quotation for its entire issued and paid-up share capital being obtained on terms acceptable to the Managing Underwriter and remaining in full force and effect and that all conditions precedent (except for any which can only be complied with after the Offer for Sale and Public Issue have been completed) have been complied with;

(viii) the Managing Underwriter being satisfied that the Company will, following completion of the Offer for Sale and Public Issue be admitted to the Official List and its issued and paid-up share capital listed and quoted on the Second Board without undue delay;

(ix) the Managing Underwriter being satisfied with the arrangements of the Company to pay the expenses referred to in Clause 10 (Fees and Commission);

(x) the Managing Underwriter receiving a copy certified by a director or secretary of the Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:

(a) approving the Prospectus, the Agreement and the transactions contemplated by it;

(b) authorising the issuance of the Prospectus; and

(c) authorising a person to sign and deliver the Agreement on behalf of the Company;

(xi) the Agreement being signed by all parties and stamped;

(xii) the Offer for Sale and Public Issue not being prohibited or impeded by any statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia and all consents, approvals, authorisations or other orders required by the Company under such laws for or in connection with the Offer for Sale and Public Issue and/or listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of MSEB have been obtained and are in force on the closing date or the Managing Underwriter being reasonably satisfied that the same will be in force on the closing date;

(xiii) the Managing Underwriter being satisfied that the Company has complied with and that the Offer for Sale and Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements to it; and

(xiv) the Offer for Sale and Public Issue being approved by the shareholders of the Company in an Extraordinary General Meeting.

Pursuant to Clause 14 of the Underwriting Agreement, notwithstanding anything contained in the Agreement, the Underwriters shall be entitled after consultation with each other and the Company in such manner as the Underwriters shall reasonably determine by notice in writing to the Company given at any time before the closing date, terminate and withdraw their underwriting commitment if (among others), in the reasonable opinion of the majority underwriters there shall have occurred happened or come into effect any of the following circumstances:

(a) any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings) of which is contained in any certificate, statement or notice provided under or in connection with this Agreement (which, if capable of remedy, is not remedied within 3 market days after notice of such breach shall have been given to the Company by the Underwriters or by the closing date, whichever is the earlier); or

(b) any change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the abovementioned events or occurrences; or

(c) any new law, regulation, directive, policy or ruling or any change in existing laws, regulations, directives, policies or rulings or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Managing Underwriter and/or all or any of the Underwriters under this Agreement; or

(d) any events or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, natural disorder, declaration of a state of national emergency, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God, acts of terrorism or accidents which has or is likely to have the effect of making any material part of the Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Offer for Sale and Public Issue or pursuant to the underwriting of the Underwritten Shares; or

(e) there is failure on the part of the Company to perform any of its obligations contained in the Agreement; or

(f) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to the Agreement; or

(g) any government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters affects or will affect the business and/or financial position of the Company; or

which, in the reasonable opinion of the majority underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Offer for Sale and Public Issue and the distribution or sale of the Offer Shares (whether in the primary market or in respect of dealings in the secondary market) or the listing of the Company on the Second Board or market conditions generally or which has or is likely to have the effect of making any material part of the Agreement incapable of performance in accordance with its terms.

Upon such notice being given, the Underwriters shall be released and discharged of their respective obligations without prejudice to their rights under this Agreement, and where the Underwriters have terminated, cancelled or withdrawn their underwriting commitments pursuant to Clause 14.1 (Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement, except that the Company shall remain liable in respect of any of their obligations and liabilities under Clause 11 (Representations, Warranties and Undertakings) and under Clause 12 (Costs and Expenses) for the payment of the costs and expenses already incurred up to the date on which such notice was given and under Clause 8.3.2 (Prospectus and Listing) for the payment of any taxes, duties or levies.

IV. RISK FACTORS

Applicants for the Issue/Offer Shares should carefully consider the following factors, which may not be exhaustive and which may have an impact on the future performance of the Group, in addition to the other information contained elsewhere in this Prospectus, before applying for the Issue/Offer Shares:

(i) No prior market for SKRB Shares

Prior to this Public Issue and Offer for Sale, there has been no public market for SKRB Shares. There can be no assurance that an active market for SKRB Shares will develop upon SKRB's listing on the Second Board of MSEB or, if developed, that such market will be sustained. The issue/offer price of RM0.90 per Issue/Offer Share has been determined after taking into consideration a number of factors including, but not limited to, the Group's operating and financial history and conditions, its prospects and the prospects of the industry in which the Group operates, the management of the Group and the prevailing market conditions prior to the issue of this Prospectus. The price at which the SKRB Shares will trade on the Second Board of MSEB after the Public Issue and the Offer for Sale may be influenced by a number of factors, including the depth and liquidity of the market for the SKRB Shares and investors' perception of the SKRB Group. There can be no assurance that the Issue Price/Offer Price will correspond to the price at which the SKRB Shares will trade on the Second Board of MSEB upon or subsequent to its listing or that an active market for the SKRB Shares will develop and continue upon or subsequent to its listing.

(ii) Control by substantial shareholders

Following the Public Issue and Offer for Sale, the substantial shareholders of SKRB, namely AHSB, MBSB and WHSB collectively hold approximately 72% of the Company's enlarged issued and paid-up share capital. The aforesaid shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(iii) Business risks

The SKRB Group is subject to certain risks inherent in the furniture industry which include, amongst others, but is not limited to, raw material shortages and labour supply constraints, increases in the costs of raw materials such as rubberwood, changes in general economic, business and credit conditions, entry of new players, foreign exchange rate fluctuations, changes in industry policy and tax legislation affecting the furniture industry in Malaysia and increases in production costs.

Although the Group seeks to limit these risks through, inter alia, automating certain aspects of its manufacturing operations, investing in R&D, maintaining close relationships with customers and suppliers, diversifying its pool of suppliers and customers and expansion of both existing and new markets, there can be no assurance that any change to these factors will not have a material adverse effect on the Group's business.

(iv) Operational risks

The SKRB Group is subject to certain risks inherent in the furniture manufacturing industry which include, amongst others, fire hazards and disruption to electricity supply. As a significant proportion of the Group's products are wood based products, there exists a potentially high risk of fire hazard. All the Group's factories, which are separately located within Kawasan Perindustrian Bukit Bakri, are equipped with sprinkler systems and fire fighting equipment such as fire extinguishers and hose reels which are maintained and inspected by a fire protection system maintenance contractor quarterly. The said contractor also trains the Group's employees on the use of these equipment as well as basic fire-fighting techniques and jointly conducts fire drills with the Group. In addition, annual inspections are conducted by the Fire Department. The Group has also purchased insurance coverage on fire and fire consequential loss on all of its assets and stocks.

As part of the Group's plan to mitigate disruption in electricity supply, the Group have backup generator sets in each of the manufacturing sites. As electricity usage is high, arrangements have been made with suppliers of generator sets to supply heavy duty generator sets on short notice. The Group could also request for Tenaga Nasional Berhad to provide generator sets in the event of a prolonged interruption to electricity supply. In addition, the Group is able to outsource some of its manufacturing activities to subcontractors when such circumstance arises and when customers request for deliveries within a short time frame. Outsourcing of certain manufacturing activities to third party subcontractors also occurs in circumstances where special machinery is required for the production of certain furniture parts and designs which is not feasible to be produced in-house or for furniture models which are not regularly produced, production capacity constraints due to urgent production orders and capacity shortage for the treatment of wet rubberwood and kiln drying when there is a successful tender for a large acreage of rubber estates resulting in a surge of supply of wet rubberwood. With the ability to subcontract such activities to third party subcontractors, capacity constraints can be alleviated and the Group's existing production runs and delivery commitments will not be compromised.

The Board of Directors is of the view that the Group is adequately covered against fire and fire consequential loss. While the Board of Directors has taken all reasonable steps to mitigate the risk of fire hazards and disruption in electricity supply as described above, there can be no assurance that in the event of a fire, the Group's business will not be materially and adversely affected.

(v) Supply of raw materials

The main raw materials used in the production of furniture by the Group are rubberwood, steel, paints and fabric. The Group purchases the above raw materials from selected suppliers that are able to provide constant supply of raw materials at competitive prices in order to enjoy volume rebates and discounts. While the Group has established good long term relationship with its major suppliers, there is no guarantee of sufficient supply of raw materials. However, the Directors and key management of the Group are confident that the long term relationship which they have nurtured with its suppliers, will enable the Group to obtain regular and adequate supply of raw materials at competitive prices in the future and it is the Group's policy to source its raw materials from various suppliers. In addition, the Group has also entered into a long term contract with Souncern Timber Sdn Bhd one of its major suppliers, for the supply of rubberwood for a period of 3 years up to 31 December 2005.

(vi) Investment in new lamination line

The Directors of SKRB propose to expand and upgrade VPM's production line by investing RM5.00 million from the proceeds raised from the Rights Issue and Public Issue on a new lamination line. At present, the Group sources approximately 70% of the laminated boards required for SKFI and SK's production needs from third party suppliers as VPM's existing production capacity is unable to cater for the production needs of SKFI and SK. With the investment in the new lamination line, the Group expects to be able to secure a consistent supply of laminated boards from VPM at a competitive cost for the Group's production requirements. The new lamination line is expected to commence commercial production by mid-2004.

The investment in the new lamination line undertaken by the Group is an expansion of its existing production line and the Group has the relevant experience and expertise in operating the new lamination line. However, there can be no assurance that the investment in the new lamination line will be successful or that any delay in the commencement of the commercial operations of the lamination line will not have a material adverse effect on the SKRB Group's business.

(vii) Political and economic considerations

For the 8 month period ended 31 August 2003, the SKRB Group's furniture products were mainly exported to countries such as North and South America, Australia, New Zealand, the Middle East and the UK. As such, the SKRB Group's level of profitability and future growth are expected to be linked to the political and economic developments of these countries, where some of the Group's customers and agents, direct or indirect, are located. The economic situations in these countries may be affected by war, changes in inflation rates, interest rates, taxation and other political, economic or social developments. The Group will explore the possibility of expanding into other markets to reduce its dependence on the above export markets. There can be no assurance that any change to these factors will not have a material adverse effect on the business of the SKRB Group.

(viii) Foreign currency fluctuations risk

The SKRB Group is exposed to foreign exchange fluctuation risks mainly through its exports to various countries such as North and South America, Australia, New Zealand and UK. The transactions are denominated in USD. The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation. However, no assurance can be given that the RM peg will be maintained and that future foreign exchange fluctuation will not have a material adverse effect on the Group's financial performance.

(ix) Threat of substitutes

Household furniture products are wide and diverse. The Group's rubberwood furniture faces competition from glass, metal, plastic and forest wood furniture. However, furniture manufactured from rubberwood is well-received as it is recognised to be an environmentally-friendly product. It also has a natural and traditional look, compared to furniture manufactured from other materials. In the near future, it is unlikely for wooden furniture to be replaced by furniture made from other materials as certain qualities of wood are unique and cannot be replaced or replicated by furniture manufactured from aluminium, glass, metal, plastic, rattan etc.

There is also the risk that the Group's furniture could be substituted with other types of wooden furniture manufactured from forest woods, such as nyatoh, meranti and jati. However, furniture made from forest woods are usually much more expensive. Furthermore, forest wood furniture are perceived to be environmentally unfriendly in some countries, since the extraction of forest wood for commercial purposes is seen as damaging to the environment.

There is also the risk of the Group's furniture being substituted with fine furniture such as those from Italy, Spain and North and South America, where fine craftsmanship in the making of furniture pieces from woods such as mahogany, beech, oak, nyatoh and meranti is a trademark of the fine furniture sector. However, the Directors of SKRB are of the view that the demand for rubberwood furniture by the export market is highly correlated to the functionality and value-for-money characteristics of such furniture and it is unlikely for rubberwood furniture to be replaced by the fine furniture range which usually caters for higher income earners and a more exclusive and niche market.

(x) Competition

The SKRB Group faces competition from local manufacturers, who may expand their business aggressively and from new players entering the industry as well as foreign manufacturers in countries with lower cost of production like Indonesia, Vietnam and Thailand. The possibility of increasing competition from these countries with lower cost of production and low labour cost and from existing market players may result in lower profit margins and smaller market share for the SKRB Group.

Nevertheless, the SKRB Group has in place several strategic measures, including new product-development, cost control and consumer market research to increase their competitiveness. The SKRB Group is also continuously looking at ways to improve its production processes in order to increase production efficiency and maintains its competitive advantage by ensuring prompt delivery, consistent quality and price competitiveness of its products. However, there can be no assurance that the Group will not be affected by the competitive strategy adopted by the other manufacturers within the same industry, both domestic and overseas and that the SKRB Group will always be able to maintain its existing market share in the future.

(xi) Dependence on key personnel

The SKRB Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the SKRB Group's Directors or key members of the senior management could adversely affect the SKRB Group's ability to compete effectively in the furniture industry. The Directors of SKRB recognise the importance of the Group's ability to attract and retain skilled personnel and have in place a human resource strategy which includes an adequate compensation package as well as a structured succession plan. Efforts are also made to groom the existing staff members to further support the senior management and/or to shoulder further responsibilities in preparation for long term expansion. The Group's future success will also depend upon its ability to attract and retain skilled personnel. However, there can be no assurance that the above measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur.

(xii) Government regulations on foreign labour

Government regulations on foreign labour can severely affect the labour intensive furniture industry as most manufacturers employ a significant number of foreign workers. Regulations which have been introduced to limit the recruitment of foreign workers may affect the industry's expansion as it could lead to a shortage of workers. Labour shortage will not only reduce the production capacity of the manufacturers but also increase wage levels. As a result, productivity may decline and production costs may increase. As at 9 January 2004, the subsidiaries of the SKRB Group employs 493 foreign workers which are sourced from Bangladesh, Nepal, Myanmar, Indonesia and Vietnam. Although the Group seeks to limit the reliance on foreign labour through automating the labour intensive operations, there can be no assurance that further Government regulations regarding foreign labour would not affect the Group's performance.

(xiii) Domestic borrowings

The SKRB Group's total domestic long-term and short-term borrowings as at 9 January 2004 amounted to RM8.678 million and RM17.964 million respectively. The SKRB Group does not have any foreign borrowings as at the date of this Prospectus. All the loans of the SKRB Group are interest bearing. As such, any increase in interest rates will increase the burden of the SKRB Group with respect to interest payments of the loans depending on the total outstanding loans as at the point in time. There can be no assurance that the performance of the SKRB Group would remain favourable in the event of adverse changes in the interest rate.

(xiv) Dependence on key customers

The SKRB Group has a wide and diversified range of customers, ranging from local and overseas customers. Other than Coaster, Inc, L.G. Sourcing Inc, Endeavour Trading Sdn Bhd and Corporate Specialists Sdn Bhd, which contributes approximately 8.8%, 7.2%, 6.3% and 6.0%, respectively, of the Group's turnover for the 8 month period ended 31 August 2003, none of the customers of the SKRB Group contribute more than 10% to the Group's turnover. The Group is also actively sourcing for new international customers to reduce the degree of dependency on any one customer.

(xv) Impact of ASEAN Free Trade Area ("AFTA")

The implementation of AFTA would result in the reduction/elimination of tariffs to between 0% and 5% for ASEAN member countries for products with at least 40% of its contents originating from any ASEAN member state. The creation of the ASEAN market through AFTA provides enormous potential for market expansion of Malaysian companies. While there is now a wider variety of quality goods produced regionally at lower prices, this also means that there is increasing competition for domestic industries for certain products due to the liberalised Malaysian market. Malaysian companies must therefore enhance their resilience to remain competitive domestically and identify new opportunities to exploit the ASEAN market as well as the global market.

Since 1994, the SKRB Group has been exporting its rubberwood furniture overseas to countries such as the US, Australia, New Zealand, UK, Middle East and the Asian region. The Group is continuously looking at ways to improve production efficiency as well as maintain its competitive advantage through prompt delivery, consistent quality and price competitiveness. While most of the Group's raw materials are sourced locally, the implementation of AFTA would allow an alternative source of raw materials at a more competitive price which could potentially result in production cost savings. Further, the Directors of SKRB do not expect imported kiln-dried rubberwood or laminated boards to be a threat to the Group's business. As such, the Directors of SKRB do not expect the implementation of AFTA to have a material impact on the SKRB Group's furniture business.

(xvi) Profit estimate and forecast

This Prospectus contains the consolidated profit estimate and forecast of the SKRB Group for the financial year ended 31 December 2003 and the financial year ending 31 December 2004 that have been prepared based on assumptions which the Directors of SKRB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to the inherent uncertainties underlying the profit estimate and forecast and given that events and circumstances do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be achieved and actual results may be materially different from the profit estimate and forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the profit estimate and forecast contained herein.

(xvii) Forward looking statements

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the SKRB Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the SKRB Group will be achieved.

(xviii) Failure/Delay in the listing exercise

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:

(a) the Bumiputera investors approved by the MITI fail to subscribe to the portion of the Offer Shares allocated to them;

(b) the Underwriters exercising their rights pursuant to the Underwriting Agreement thereby discharging themselves from their obligations thereunder; or

(c) the Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon completion of the Public Issue and Offer for Sale and at the point of listing.

Although the Directors of SKRB and the Offerors will endeavour to ensure compliance by SKRB of the listing requirements by the various authorities, no assurance can be given that the abovementioned factors will not cause a delay in or failure of the Listing exercise.

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